

PCGHealth & Human Services™

Health Benefit Exchange Project Budget Estimate for Exchange Operations

House Labor, Health and Social Services
Committee

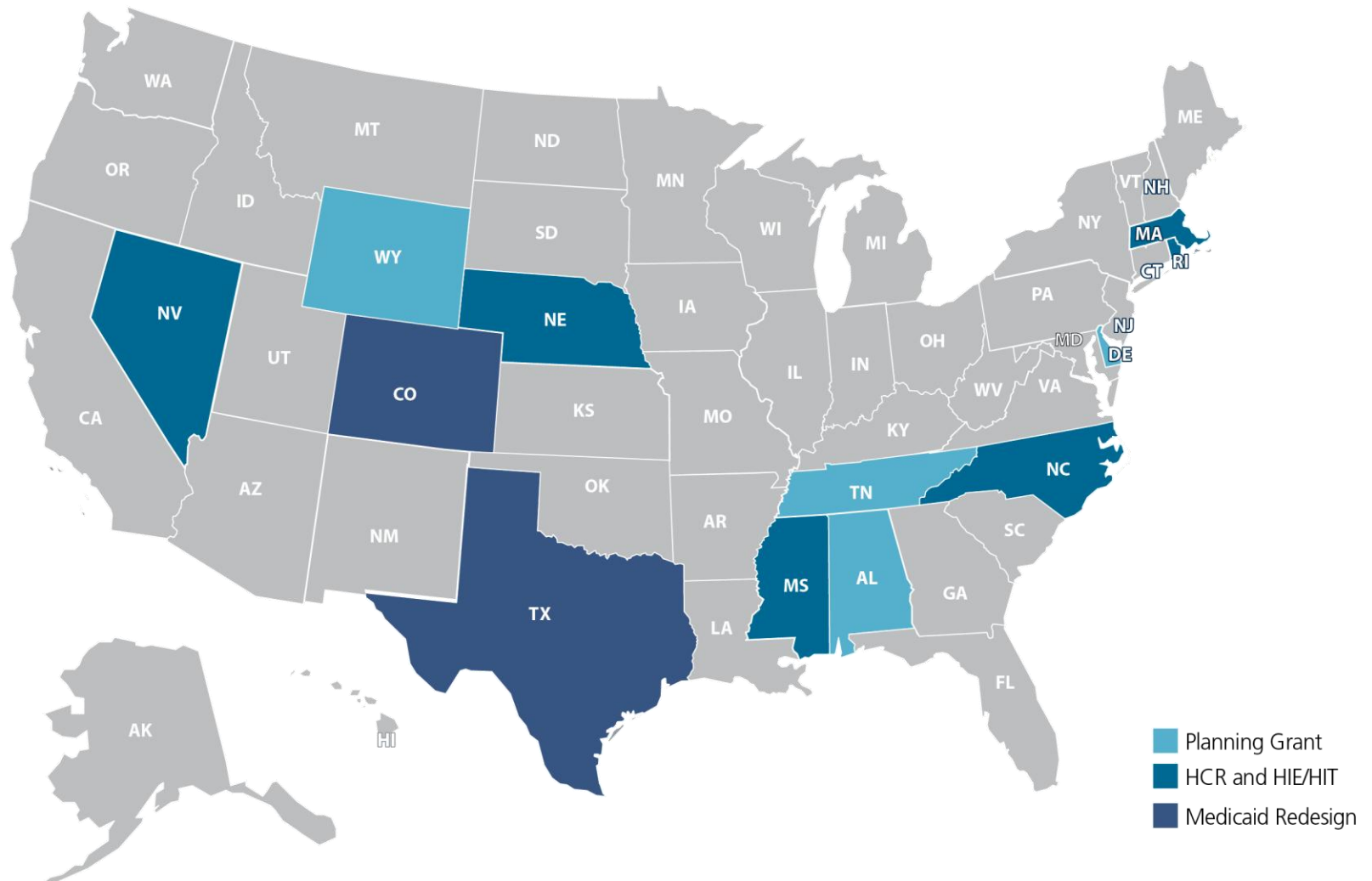
October 10, 2011

Health Benefits Exchange | Agenda

- Introduction of Public Consulting Group & role PCG played for WY
- Explanation of Exchanges and Budget Estimate of Wyoming Single State Exchange
- Explanation of Methodology and Budget Estimate for Regional and Shared Services Exchanges
- Presentation of comparison data from other states

Public Consulting Group: Health Reform Activities in the States

Health Care Reform and Medicaid Redesign



Health Benefits Exchange | Methodology (Single State Exchange)

■ Identify Major Cost Centers

- Staff Salaries and Benefits
- Enrollment and Eligibility System
- Call Center
- Premium Billing Collection
- Consulting Services
- IT & Website
- Rent & General Administrative

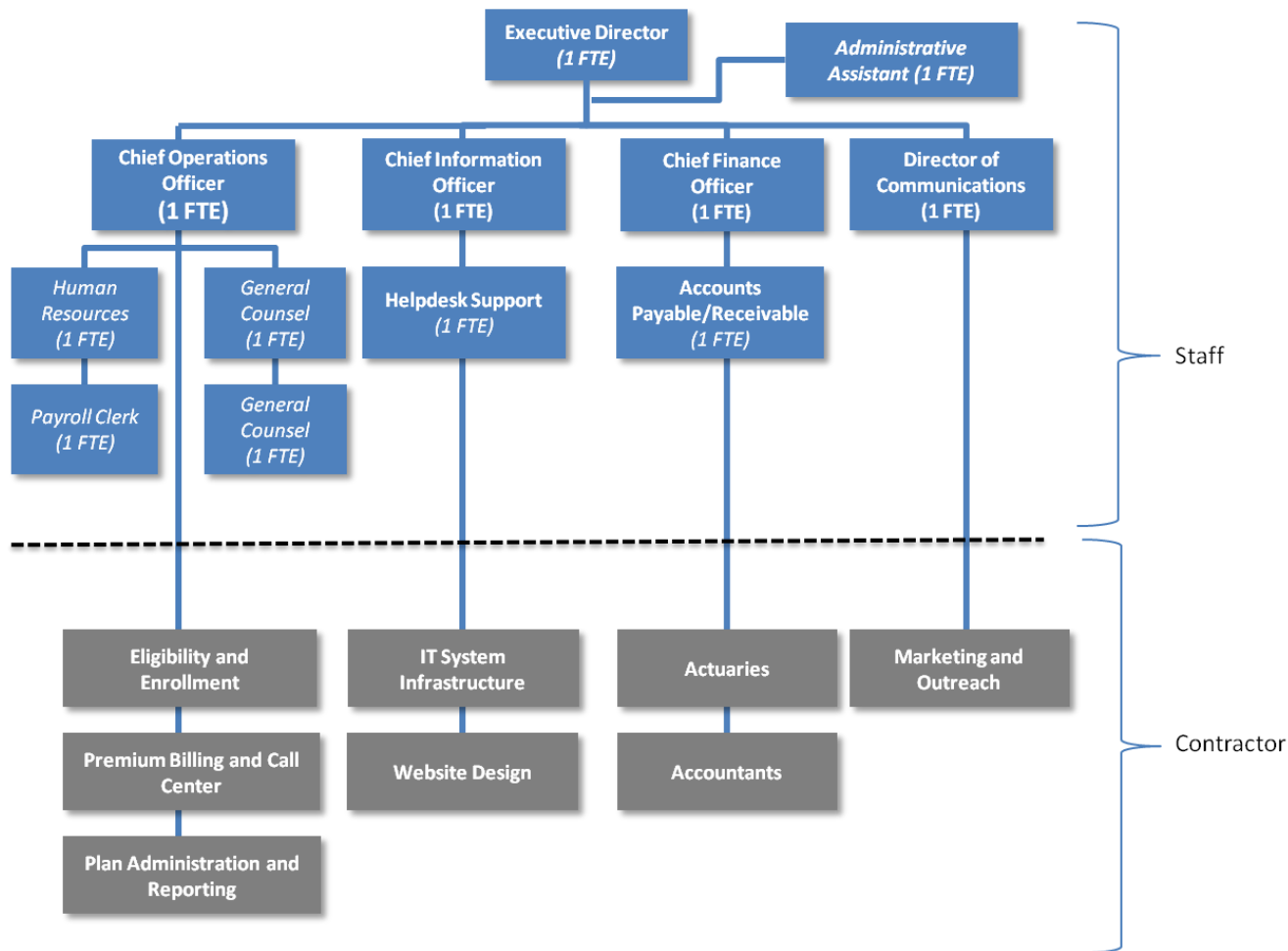
■ Exchange Operation Cost Centers were defined using a Number of Sources:

- Business Operations “Minimum Functions of the Exchange” as defined on pages 49 – 53 of the OCIO January 20, 2011 Grant Application (IE-HBE-11-004)
- PCG’s experience in other states (DE, NV, TX)
- Publicly available studies

Health Benefits Exchange | Salary and Fringe Benefits Costs

- Comprised of Executive leadership team managing a host of contractors
- Salary Estimate from WY Dept of Administration and Information
- Potential number of FTEs necessary for quasi-state agency Exchange comes from industry research, consideration of the MA Connector, and the WY Retirement System
- Estimated 12 FTEs to run the Exchange at a total salary (including benefits) of **\$1,286,819**

Health Benefits Exchange | Exchange Operating Structure



- PCG developed an organizational chart based on our knowledge of the Exchange requirements and peer state models developed in MA, NC, DE, and TX.
- This organizational chart identifies the minimum leadership positions (staff) and major functional areas (contractor)
- This model assumes a quasi-public Exchange governance.

Health Benefits Exchange | Eligibility and Enrollment

- Information Technology Gap Analysis and To-Be Vision of the Exchange IT Systems Infrastructure from Wyoming's APD provides a cost range for building the new system. PCG's experience in other states can also provide estimates.
- PCG's general analysis of the options for new eligibility and enrollment systems is similar to the options listed in Wyoming's I-APD. PCG's viewpoint is presented in the following matrix. WY additionally considered a stand alone HIE eligibility determination system.
- WY's request to CMS is to utilize Option 3. PCG's analysis considers that Option 2 has benefits as well. For cost modeling, the two options were blended and Exchange costs were separated from Medicaid costs.
- Estimated cost of **\$1,051,748**.

Health Benefits Exchange | Call Center

- The ACA mandates that all Exchanges have an operational call center that can guide consumers through the process of purchasing care via an Exchange and also answer questions individuals or businesses may have.
- Staff and costs requirements for the call center will be largely dependent on call volume, but there will also be a subset of fixed costs (e.g. management, rent, and equipment) that must be borne in times of very few calls just as in time of heavy call volume.
- The following chart provides cost estimates for Exchange call centers in several other states.

DESCRIPTION	NC ESTIMATE	MAINE DATA	WYOMING ESTIMATE
Estimated Population	795,791	306,280	30,500
Estimated % Contact	25%	50%	25%
# of Contacts	198,948	153,140	7,625
# FTEs	30	30	2
Total Cost	\$ 1,287,446	\$ 1,227,189	\$108,409.50

Health Benefits Exchange | Premium Billing & Website

- Recent proposed rules require SHOP Exchanges to provide premium billing services.
- Estimate of the Wyoming Exchange Premium Billing Engine & Website can be developed using professional judgment, estimates from other states, and the Massachusetts Connector's 2010 operating budget.
- Premium Billing Engine is the IT Component of billing, and cost estimate assumes an automated system is built to produce invoices and track payments
- Website serves as primary contact point for consumers and central hub for IT systems
- Ongoing Maintenance costs are estimated since Federal Matching funds will be available for start-up costs.
- Premium Billing Engine estimate: **\$225,000**
- Web Portal estimate: **\$650,000**

Health Benefits Exchange | General Administrative

- General Administrative costs projected utilizing research into WY real estate and professional judgment.
- Facility Cost is the most expensive and estimated at \$17/sq ft per yr NNN + .07/sq for insurance. Need 10,000 sq ft. - Based on industry standards for size and actual properties in Cheyenne.
- Total Cost Estimate: **\$268,662**

Health Benefits Exchange | Other Contracted/Consulting Services and General Administrative

- Other Contracted/Consulting Services costs projected based on estimates from other states.
 - Marketing
 - Navigator
 - Actuarial
 - Auditing
 - Legal and Other Professional Consulting Services

Health Benefits Exchange | Single State Cost Estimate

Description	WY CY 2014 Cost Estimate
Salary and Benefits	\$1,286,819
Contract	\$2,640,082
Other Indirect	\$268,662
TOTAL	\$4,195,563
PMPM (at 30,500 enrollment)	\$11.46

Health Benefits Exchange | Methodology: Regional / Share Services Exchange

- Started with assumptions for the single state WY Exchange
- Assumed a Regional Exchange comprised of ID, NM, SD, UT, and WY
- Estimated enrollment at 390,845 (30,500 from WY)
- Identified areas of potential savings and applied Discount Factor for Regional Exchange and then calculated total estimated costs to WY
- Separated potential shared services and created cost estimate

Health Benefits Exchange | Comparison: Single State, Regional, and Share Services Exchange

Description	Single State	Regional	Shared Services
Salary and Benefits	\$1,286,819	\$489,898	\$1,286,819
Contract	\$2,640,082	\$2,501,015	\$2,501,015
Other Indirect	\$268,662	\$120,898	\$268,662
Total	\$4,195,564	\$3,111,811	\$4,056,496
PMPM	\$11.46	\$8.50	\$11.08

Health Benefits Exchange | State Comparisons

Category	Delaware	Massachusetts	North Carolina	Illinois	Utah	Wyoming
Salary Staff	\$1,059,828	\$5,861,126	\$6,127,839	\$7,314,712	\$500,000	\$1,286,819
Eligibility and Enrollment	\$2,000,000	\$5,506,397	\$314,684	\$7,215,427	N/A	\$1,051,748
Call Center	\$251,464		\$1,480,391	\$9,363,531	N/A	\$108,410
Premium Billing Engine	\$2,315,859	\$9,781,251	\$3,000,000	\$4,048,350	N/A	\$225,000
Marketing	\$555,906	\$1,598,273	\$4,759,068	\$2,313,343	N/A	\$255,222
Navigator	\$173,908	\$500,000	\$1,983,950	\$1,900,246	N/A	\$79,843
Actuarial	\$201,042	\$578,012	\$103,363	N/A	N/A	\$92,300
Auditing	\$31,651	\$91,000	\$384,741	N/A	N/A	\$14,531
Legal and Other Professional Consulting Services	\$347,655	\$1,020,930	\$3,000,000	\$2,148,104	N/A	\$163,028
IT and Website Design	\$566,395	\$1,628,428	\$1,000,000	\$798,654	\$302,400	\$650,000
General Administrative Costs	\$259,982	\$747,469	\$512,250	\$1,108,814	N/A	\$268,662
Other	\$0	\$139,104	\$1,093,464	\$3,111,998	N/A	\$0
Total	\$7,763,690	\$27,451,990	\$23,759,750	\$39,323,179	\$802,400	\$4,195,563

Enrollment	66,443	190,000	714,222	486,000	4,200	30,500
-------------------	---------------	----------------	----------------	----------------	--------------	---------------

PMPM	\$9.74	\$12.04	\$2.77	\$6.74	\$15.92	\$11.46
-------------	---------------	----------------	---------------	---------------	----------------	----------------

PCGHealth & Human Services™

Health Benefit Exchange Project Peer State Comparisons

October 10, 2011

Review of States' Actions | Governance Options Recap

Model Type	Advantages	Disadvantages
<i>State Agency</i>	<ul style="list-style-type: none">• Existing infrastructure already in place• Established lines of communication• Leverages existing resources• Less chance of regulatory confusion	<ul style="list-style-type: none">• May overburden existing staff• More restrictive hiring process• Exchange may be more subject to political influence
<i>Independent Public Entity</i>	<ul style="list-style-type: none">• Possible exemption from State hiring requirements• Less subject to political influence• More visible to the public	<ul style="list-style-type: none">• May be more difficult communicating with State agencies• Possibility of regulatory confusion• Higher cost to establish initially
<i>Not-for-profit Entity</i>	<ul style="list-style-type: none">• Possible exemption from State hiring requirements• Less subject to political influence• More flexibility in decision making	<ul style="list-style-type: none">• Isolated from State employees• Less accountability• Possibility of regulatory confusion• Higher cost to establish initially

Review of States' Actions | Governance

Exchanges within State Agencies (3 total)

- Utah (Office of Consumer Health Services)
 - Up to 9 board members, including the Insurance Commissioner
 - 6 – 8 members appointed by Governor representing carriers, employers and employees, the Office of Consumer Health Services and the Public Employees Health Benefit Program
- West Virginia (Office of Insurance Commissioner)
 - 10 board members including 4 ex officio: Insurance Commissioner, Medicaid Office Director, CHIP Program Director, and WV Health Care Authority Chairperson
 - 2 members, representing providers and payers will be selected by advisory groups of providers and payers, respectfully
 - Remaining members are appointed by the Governor

Review of States' Actions | Governance

Exchanges as Quasi-Governmental Agencies (7 total)

■ Washington

- 11 board members, including Commissioner of Insurance and Administrator of Health Care Authority
- Governor appoints 4 members from a pool of House and Senate nominees (must include employee benefit specialist, health economist or actuary, consumer advocate, and small business owner)
- Governor appoints additional 4 members based on other desired expertise

■ Colorado

- 12 board members, including Executive Director of Dept of Health Care Policy and Financing, Commissioner of Insurance, Director of Office of Economic Development and International Trade
- 5 members appointed by the Governor
- 1 appointed by President of the Senate
- 1 appointed by Majority and Minority Leaders of the Senate
- 1 appointed by Speaker of the House
- 1 appointed by Minority Leader of the House

Review of States' Actions | Governance

Exchanges as Independent State Agencies (2 total)

- Nevada

- 10 board members, including Director of Dept of Health and Human Services, Director of Dept of Business and Industry, Director of Dept of Administration
- 5 appointed by Governor
- 1 appointed by Senate Majority Leader
- 1 appointed by Speaker of Assembly
- Specific provision – voting members may not be elected officials, state employees, or affiliated with a health insurer

** Hawaii is, so far, the only state to elect to establish a private, non-profit Exchange. The structure, however, closely resembles the quasi-governmental agencies that others have established.

Review of States' Actions | Other Steps Taken

Indiana

- Governor issued an Executive Order to conditionally establish an Exchange
 - Dependent on outcome of constitutional challenges to the ACA, feasibility of additional federal guidance, and consideration of federal model when it becomes available
 - The Exec Order would establish the Exchange as a non-profit that is incorporated by the Secretary of the Indiana Family and Social Services Administration

Idaho

- Applied for Level 1 funding on September 30th
 - Conducted extensive stakeholder and background research and is strongly considered a state-run Exchange

Montana and Nebraska

- Both states have seen very strong public support for Exchange establishment
 - Nebraska Health Alliance: non profit group of businesses, health providers, associations, carriers, and individuals in favor of a state-run Exchange
 - In Montana, members of business community, insurers, and consumer groups showed support for Exchange establishment through public demonstrations at each legislative debate

Review of States' Actions | Other Steps Taken

24 states have made significant progress toward Exchange establishment

- 15 states have enacted some form of Exchange legislation
- 3 states and D.C. currently have legislation pending
- 4 states have issued Executive Orders (AL, GA, RI, IN)
- 2 states have existing Exchanges

6 states are following active purchaser model, 3 follow clearinghouse model

Louisiana, Florida, Kansas, and Oklahoma returned some or all federal funding, Alaska never applied for funding

- Oklahoma and Alaska both still pursuing Exchange with state dollars